

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE

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-STADIS FOR AMB STOESSEL FROM SONNENFELDT AND HARTMANN
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E.O. 11652: XGDS-3

TAGS: PINS, PINR, PFOR, ECON, EFIN, G , PO, US

SUBJECT: MESSAGE ON PORTUGAL

1. FOLLOWING IS A MESSAGE WHICH EXPRESSES THE CONCERN
FELT AT THE HIGHEST LEVELS OF OUR GOVERNMENT OVER THE
SITUATION IN PORTUGAL. WE WOULD LIKE YOU TO DELIVER IT
TO HISS OR SCHUELER FOR THE CHANCELLOR'S PERSONAL
ATTENTION.

2. BEGIN TEXT:

-- THERE IS MAJOR RISK OF RE-ENTRY OF THE PORTUGUESE
MILITARY INTO POLITICS AND A FOLLOW-ON RESURGENCE OF THE
COMMUNISTS OR THE ULTRA-RIGHT BECAUSE OF THE ECONOMIC
SITUATION, PARTICULARLY THE PROBABLE EXHAUSTION OF
PORTUGAL'S FOREIGN EXCHANGE RESERVES IN NOVEMBER.

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-- THE WESTERN ALLIES, AND ESPECIALLY THE FRG AND THE U.S.

HAVE A MAJOR STAKE IN PREVENTING ANY SUCH POLITICAL CALAMITY.

-- TO HELP, WE ARE CONSIDERING WAYS TO MEET THE IMMEDIATE FOREIGN EXCHANGE CRISIS.

IN RETURN, WE WANT SOARES TO CARRY OUT THE RIGHT ADDITIONAL POLICIES TO ASSURE LONG-TERM ECONOMIC STABILIZATION, SO AS TO CONSOLIDATE THE DEMOCRATIC SUCCESS THUS FAR ATTAINED.

-- HOWEVER, WE FEAR THAT OUR SUPPORT FOR SOARES AND A SOUND STABILIZATION PROGRAM WILL BE LESS EFFECTIVE AND COULD EVEN HAVE ADVERSE POLITICAL IMPACT ON SOARES' SITUATION, IF IT COMES FROM US ALONE.

-- WE LOOK FORWARD TO INVOLVING THE IMF LATER, BUT THERE IS NOT ENOUGH TIME FOR THAT NOW.

-- THE POLITICAL CHANCES OF SUCCESS WOULD BE GREATLY ENHANCED IF THE FRG COULD JOIN WITH THE U.S. IN DEALING WITH THE SITUATION, PARTICULARLY IN VIEW OF SOARES' APPRECIATION FOR THE STRONG POLITICAL AND ECONOMIC SUPPORT HE AND PORTUGAL HAVE RECEIVED FROM YOU OVER THE PAST TWO YEARS.

-- OUR UNDER SECRETARY OF THE TREASURY, MR. YEO, WILL BE TALKING WITH YOUR PEOPLE ABOUT IDEAS HE HAS BOTH FOR DEALING WITH THE IMMEDIATE FOREIGN EXCHANGE CRISIS AND FOR LONGER-TERM SUPPORT FOR PORTUGAL'S STABILIZATION PROGRAM.

-- WE ARE COUNTING ON YOUR HELP. END TEXT
KISSINGER

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